

**PART 194—INTERNATIONAL CO-
PRODUCTION PROJECTS AND
AGREEMENTS BETWEEN THE
UNITED STATES AND OTHER
COUNTRIES OR INTERNATIONAL
ORGANIZATIONS**

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§ 194.1 Purpose.

This part supplements the international logistics policies established in DoD Directive 5100.27, Delineation of International Logistic Responsibilities, December 29, 1964;¹ DoD Directive 5132.3 (28 FR 7611); DoD Instruction 2000.8, Cooperative Logistic Support Arrangements, February 14, 1964;¹ part 258 of this subchapter; DoD Instruction 2015.4, Mutual Weapons Development Data Exchange Program and Defense Development Exchange Program, November 5, 1963;¹ DoD Directive 2100.3, "U.S. Policy Relative to Commitments to Foreign Governments Under Foreign Assistance Programs, July 11, 1963.¹ Its purpose is to prescribe general policies and principles governing international co-production projects negotiated under agreements between the U.S. Government and eligible foreign governments, international organizations, foreign producers, or other approved agencies. Policy guidance pertaining to the general areas of the Military Assistance Program (MAP), Foreign Military Sales (FMS), and international Cooperative Logistics Support Arrangements (CLSA) is not affected by this part.

§ 194.2 Applicability and scope.

The provisions of this part are applicable to those offices responsible for

negotiation, implementation, monitorship and financial and management control of the co-production projects within OSD, DSA, and the Departments of the Army, Navy, and Air Force.

§ 194.3 Concept.

(a) The term *co-production* as used herein encompasses any program wherein the U.S. Government, under the aegis of an international diplomatic level or Ministry of Defense-to-Department of Defense agreement, either directly through the FMS program, or indirectly through specific licensing arrangements by designated commercial firms, enables an eligible foreign government, international organization or designated commercial producer to acquire the "know-how" to manufacture or assemble, repair, maintain and operate, in whole or in part, a specific weapon, communication or support system, or an individual military item. The "know-how" furnished may include research, development production data and/or manufacturing machinery or tools, raw or finished materiel, components or major subassemblies, managerial skills, procurement assistance or quality-control procedures. Third country sales limitations and licensing agreements are also included as required.

(b) Co-production may be limited to the assembly of a few end-items with a small input of local country parts, or it may extend to a major manufacturing effort requiring the build-up of capital industries.

§ 194.4 Objectives and policies.

(a) The major objectives to be attained through co-production projects are to:

(1) Enable eligible countries to improve military readiness through expansion of their technical and military support capability.

(2) Promote United States-Allied standardization of military materiel and equipment, which, in turn, would generate the establishment of uniform logistics support, procedures and expanded multinational operational capabilities.

(b) Co-production programs directly benefit the United States through:

¹Copies available from Naval Supply Depot, 5801 Tabor Avenue, Philadelphia, Pa. 19120, Attention: Code 300.

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(1) Creating in-country compatibility with the U.S. standardized equipment, thereby creating Allied capability of supporting deployment of U.S. forces.

(2) Promoting the standardization of materiel or equipment to integrate and strengthen international military operations in times of emergency or hostilities.

(3) Encouraging multinational acceptance of strategic and tactical concepts and doctrine through the utilization of common military materiel.

(4) Encouraging the creation of complementary forces in Allied countries.

(5) Establishing or broadening the base for common and interchangeable logistics among free or Allied nations.

(6) Serving to improve procurement, production, contract administration and mutual support capability of friendly Allied nations.

(c) Co-production is considered to be an important component of the U.S. military foreign sales program and, as such, represents an essential element of U.S. foreign policy. Accordingly, it is DoD policy that initiation of co-production project agreements will be encouraged and supported by all elements of DoD under the following circumstances. When they:

(1) Advance the objectives outlined in paragraphs (a) and (b) of this section.

(2) Supplement and reinforce the U.S. FMS program.

(3) Are in the best interest of the United States.

§ 194.5 Responsibilities and procedures.

(a) Co-production projects may be initiated by ASD(ISA) or, subject to prior ASD(ISA) approval, by the Military Departments; the Military Assistance Advisory Groups; and by authorized representatives of foreign governments and international organizations.

(1) The cognizant DoD component will ensure appropriate coordination with ASD(ISA) and furnish technical and negotiating assistance as required.

(2) After the agreement is signed, the appropriate DoD component will perform necessary managerial and reporting functions.

(b) In conformance with responsibilities assigned in DoD Directive 5100.27.

(1) The Assistant Secretary of Defense (International Security Affairs) will:

(i) Develop and coordinate DoD positions for the negotiation of co-production agreements with foreign governments and international organizations; and

(ii) Either conduct negotiations for specific agreements, or delegate this responsibility to an appropriate DoD component.

(2) The Assistant Secretary of Defense (Installations and Logistics) will:

(i) Assure during coordination of formal agreements, that the materiel to be committed under the co-production project will not adversely affect the U.S. defense supply or production base, or further limit critical materiel; that consideration had been given to the future logistical support of the equipment to be produced; and

(ii) Monitor and act as OSD coordinator for implementation of co-production projects under formal agreements, in coordination with other elements of the Office of the Secretary of Defense, as required.

(3) The Office of the General Counsel of the Department of Defense will assure necessary legal clearance, as required, prior to formalization of co-production project agreements.

(4) The Assistant Secretary of Defense (Comptroller) will assist the ASD(ISA) and the ASD(I&L) during coordination, as required, of formal co-production agreements by providing necessary DoD representation and financial guidance with respect to pricing policies for U.S. military services and equipment, cost sharing, and reporting requirements under co-production agreements as they relate to international balance of payments.

(5) Other OSD organizational elements will assist ASD(I&L), as required, in assuring that the terms and conditions of co-production project agreements are met.

§ 194.6 Security.

(a) Classified information and materials will be treated as exchanges between those governments involved and will be safeguarded by each government in accordance with existing agreements.